



NCHEMS

An Assessment of
Postsecondary Education Reform in
Kentucky

Aims C. McGuinness, Jr.

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**National Center for Higher Education Management Systems
P.O. Box 9752 • Boulder, Colorado 80301-9752 • (303) 497-0301**

Introduction

Kentucky's postsecondary reform initiative is widely recognized as one of the most far-reaching, significant state-level higher education reforms of the past quarter century in the United States. It is recognized as such because it reflects:

- A Strategic Agenda with long-term goals (2020) focused on the future of the state's quality of life and economy.
- More than a decade of continuity of education reform beginning with the Kentucky Education Reform Act (KERA).
- Alignment of finance policy with the Strategic Agenda – not only a commitment of the Governor and General Assembly to substantial increases in funding but also the use of financing policy (e.g., investment funds and incentives) to stimulate change and improvement.
- Balance among the components of reform (adult education, community and technical colleges, comprehensive universities, virtual university, and research universities).
- Quality and commitment of leadership at every level of the system.
- Creativity and intellectual rigor of reform resulting in models that are being replicated elsewhere in the country.
- A clear focus on accountability with concrete goals and measurable results.

The question in Kentucky, as in many other states, is whether the reforms can be sustained in bad as well as good economic times and over changes in leadership. Because NCHEMS conducted much of the analysis leading to House Bill (HB) 1 in 1997 and to Senate Bill (SB) 1 on adult education enacted in 2000, the Prichard Committee requested that we assess the progress that Kentucky has made on the basic problems identified in 1997 and suggest the work remaining to be accomplished in order to sustain the momentum of reform.

Recalling the basic findings in 1996/1997

In 1996, the Governor's Task Force on Higher Education engaged NCHEMS to make an assessment of higher education in Kentucky and to assist the task force in shaping recommendations. In order to appreciate how far Kentucky has come over the past five years, it is important to recall the sobering facts about the status of the Commonwealth and its higher education system in the mid-1990s. Some of the major findings of that assessment were as follows:

System performance

- Education attainment
 - Low education attainment and high levels of adult illiteracy
 - High dropout rates from high school that were feeding the long-term adult illiteracy problem
- High levels of “leakage” at every transition point – low rates of retention, transfer and degree completion
 - Comparatively low college-going rates despite improvements in the previous decade
 - Serious barriers to student transfer, especially from the technical institutes and community colleges to universities
 - Low degree production at all levels compared to national averages
 - Low degree production in specialties critical to the new economy (e.g., computer science, engineering and science)
- A highly fragmented, uncoordinated and under-funded network of community colleges, technical institutes, and two-year programs at universities:
 - Regional economic development undermined because business leaders faced squabbling among institutions (community colleges, Kentucky Tech, and regional universities) rather than a coherent workforce development strategy.
 - A community college system subordinated to the priorities and academic values of a research university, seriously under-funded from a comparative perspective, and largely disconnected from regional educational and economic priorities.
 - A Kentucky Tech system encased in the rigidities of state personnel, purchasing and regulatory policies more appropriate to the Transportation Cabinet than an education system. The system was severely under-funded and ill-equipped for the changing economy, suffering from isolation and low status in the eyes of students, employers, and the education community.
 - Severe barriers to collaboration between community colleges and Kentucky Tech campuses serving the same region (e.g., separate and conflicting admissions, student records, attendance and student aid eligibility requirements).
 - No clearly defined mission at either the community colleges or Kentucky Tech to serve Kentucky’s under-educated adult population.

- Lack of coordination and collaboration among universities
 - Limited response to initiatives designed to eliminate low-performing programs identified through studies by the Council on Higher Education (CHE)
 - Proliferation of off-campus sites and unproductive competition among universities
 - Limited collaboration among universities on academic program development or delivery, and limited use of technology to extend opportunity throughout the Commonwealth
- Comparatively poor research competitiveness, especially in areas critical to the New Economy
 - Kentucky did not have a nationally-ranked doctoral granting institution. Neither the University of Kentucky nor the University of Louisville had programs which consistently ranked at or near the top of national rankings
 - The University of Kentucky's research emphasis was diluted by attention to a wide range of activities largely inappropriate for a major research university (e.g., remedial education and workforce development)
 - Lack of research quality and competitiveness reflected in low levels of funding for competitive, peer-reviewed research

Major barriers to improvement

The 1997 assessment cited six major barriers:

- A system driven by the interests of institutions and their political networks and not by the needs of the state's people and economy. The system was plagued by political and turf battles among institutions, especially between the major state university and the comprehensive universities.
- Lack of leadership: Lack of an effective structure for statewide policy leadership to achieve common goals and coordinate efforts of its diverse institutions.
- No linkage with statewide mission.
- Lack of strategic financial planning: Financing policy and the allocation formula had lost their credibility and were not linked to a Strategic Agenda.
- Lack of strategic planning for technology.
- Financial barriers for students. Future planning for student aid was not linked to planning by CHE.

Above all, the 1997 assessment found pervasive lack of confidence that Kentucky could overcome long-standing cultural and political barriers that historically had thwarted efforts to

improve the quality and responsiveness of the state's higher education system. A common response to the question, "Why not?" was "This is Kentucky – we don't do that here."

Progress of reform

Kentucky's progress since the 1997 Assessment has been nothing short of remarkable. To a striking degree, the reforms have addressed most of the issues identified just five years earlier and established the foundation for step-by-step progress over the next decade and beyond. Perhaps the most profound change over the past five years has been a change in expectations and frame of mind – among students, parents, business and civic leaders, postsecondary education leaders, and the Commonwealth's policy leaders. There is a new sense of hope, pride and confidence. In response to the question, "Why not?" the answer today is, "This *is* Kentucky and the Commonwealth is leading the nation in demonstrating how sustained attention to education reform can bring about fundamental, long-term improvement in a state's quality of life and economy."

Significant progress has been achieved in overcoming the six policy barriers identified in the 1997 Assessment. The most profound change has been in the shift from an agenda driven by institutional interests to one driven by a public agenda.

The Postsecondary Education Improvement Act (HB 1) of 1997 established the basic framework for reform, including:

- Goals to be achieved by 2020
- A policy leadership structure through the Council on Postsecondary Education (CPE) to provide strategic direction and overall coordination of the system, and the Strategic Committee on Postsecondary Education (SCOPE) to engage the Governor, the leaders of the General Assembly, and the CPE in a shared commitment to sustaining reform
- Strategic investment and incentive funding linked to a Strategic Agenda designed to move the system toward the goals for 2020
- The Kentucky Virtual University
- The Kentucky Community and Technical College System

Following the enactment of HB 1 in 1997, the General Assembly acted on several other critical elements of reform, including:

- The "Bucks-for-Brains" endowment match (1998)
- Providing incentive funding linked to the Action Agenda and enrollment and retention
- SB 1, Adult Education, enacted in 2000
- The Kentucky Innovation Act, enacted in 2000, creating the Kentucky Innovation Commission and the Office of the New Economy

Beyond the new statutes, the key to the momentum of reform has been the leadership exhibited by both political leaders and educators in the implementation phases of the reform:

- The Governor has consistently placed postsecondary reform at the top of his agenda in terms of budget priorities, the quality of appointments to the CPE and governing boards, and in advocacy for reform.
- The Governor and the Executive Branch team (in collaboration with the President of the CPE, SCOPE, and the university presidents) have played pivotal roles in designing and negotiating the details of a new financing policy.
- The CPE has emerged as one of the most respected policy leadership and coordinating boards in the nation because of the vision, creativity, and quality of its work, and its leadership in key areas, including, as major examples:
 - Shaping a Strategic Agenda and public accountability process.
 - Launching the Kentucky Virtual University and Kentucky Virtual Library.
 - Initiating the P-16 Council, in collaboration with the State Board of Education, the Education Professional Standards Board, and The Governor’s Office on Early Childhood Education, and the Workforce Development Cabinet.
- The Kentucky Community and Technical College System (KCTCS), created in one of the most hotly contested legislative battles in recent Kentucky history, has developed into a dynamic, responsive, coordinated network providing access and links to the economy and quality of life of every region in Kentucky. Above all, KCTCS has provided the leadership and venue for the practical, step-by-step process of melding a disparate, uncoordinated, disconnected set of institutions, into a cohesive network.
- Beyond the state-level leadership, much of the success of reform can be credited to the leadership of the institutional boards, presidents, faculty members and staff throughout the Commonwealth who have responded to the challenge of reform. With few exceptions, the institutional leaders have embraced the goals of HB 1. With the stimulus of “Bucks-for-Brains,” increased funding, and state incentives, the presidents are leading their institutions through fundamental changes and improvements designed to increase enrollments, improve retention and completion, improve links with their regions, and strengthen academic quality and research competitiveness.

Impact of reform: measurable results

The CPE’s use of five questions to frame the indicators of progress toward reform has become a model for states across the U.S. The questions are:

1. Are more Kentuckians ready for postsecondary education?
2. Are more students enrolling?
3. Are more students advancing through the system?

4. Are we preparing Kentuckians for life and work?
5. Are Kentucky's communities and economy benefiting?

The latest report uses a system of traffic lights (green for "good progress," yellow for "some progress," and red for "no progress") to signal the status of reform. The report assigns green lights to questions 2, 3 and 5, reflecting proceeding goals set for 2002, and yellow lights to question 1 reflecting mixed performance on some indicators of preparation for postsecondary education. Indicators for the 4th question are still under development.

Remarkable progress is being made on several of the major problems identified in the 1997 Assessment:

- From 1990 to 2000, Kentucky's per capita income increased from 77.3% to 83.8% of the U.S. average – the fifth highest rate of increase (62.2%) in the U.S. The state's rank moved up from 43 to 41 among the fifty states.
- From 1990 to 2000, Kentucky had one of the highest rates of reduction in the percentage of the adult population age 25 and over with less than a high school credential (diploma or GED). But Kentucky remains 2nd in the nation in the percentage with less than a high school education.
- From 1994 to 2000, Kentucky made dramatic gains in the percentage of recent high school graduates going directly to college either in Kentucky or another state. In 1994, the college-going rate (52.4 %) lagged behind the national average (54.6%) and Kentucky ranked 32nd among the fifty states. By 2000, the college-going rate had increased to 56.4% exceeded the national average (54.2%) and Kentucky's rank among the fifty states had increased to 17th.
- Enrollment in Kentucky's public colleges and universities is up by over 31,515 since 1998 – a 19.9% increase. At the time of the 1997 Assessment, Kentucky had been experiencing a slow enrollment decline after a peak in 1991.
- For the first time, over 200,000 students are enrolled in public and independent postsecondary education in Kentucky.
- Adult education enrollments have increased from 51,700 in 1999-2000 to 86,400 in 2001-02. Of 120 counties, 71 qualified for performance bonuses based upon enrollments and student achievement in the last fiscal year.
- The number of Kentuckians earning a GED in 2001 was 57% higher than in 2000. This is the sixth largest increase in the U.S.
- The number of GED test-takers increased by 14.7% from June 2000 to June 2001. This increase was third largest among the states and set a record for test-taking in Kentucky.
- While more improvement is needed, Kentucky increased total R&D spending per capita from \$45 per capita in 1996 to \$68 per capita in 2000. The increase of 51% exceeded the national increase of 23%. Kentucky moved from 45th to 42nd in the U.S. but is still well below the national average of \$107 per capita.

Despite these improvements, progress has not been as rapid in other areas.

- In 2000, Kentucky continued to rank near the bottom (49th) among the fifty states in the percentage of the adult population with at least a bachelor's degree. The rate of improvement from 1990 to 2000 was comparatively slow – 37th among the fifty states.
- Kentucky faces a daunting task in meeting the needs of the large number of young adults age 18 to 24 who do not have a high school diploma. The measure of the number of GEDs awarded to 18- to 24-year-olds per 1,000 persons in that age group with less than a high school diploma is an indicator of how well states are addressing this problem. In 2000, Kentucky awarded GEDs to 65 of every 1,000 18- to 24-year-olds with less than a high school diploma – ranking 5th in the US on this measure. However, of the top five states, Kentucky also has by far the largest problem – 100,000 18- to 24-year-olds with less than a high school diploma compared to 20,000 in Maine – the state with the next biggest problem. This means that Kentucky is performing comparatively well but has a more significant problem than most states.
- Recent data show that Kentucky is making some progress on improving retention and completion rates, but the gap between the state's performance and the nation remains significant. In 1999, Kentucky was 42nd in the nation in six-year graduation rates for full-time students seeking a bachelor's degree (38.2% for Kentucky compared to 52% for the U.S.). Kentucky was 44th in the nation in graduation rates for two-year institutions (18% for Kentucky and 31.3% for the U.S.).
- Considerable “leakage” continues at key points of the education pipeline. For every 100 ninth graders in Kentucky, 66 students graduate from high school, 36 enter college, 24 are still enrolled in their sophomore year, and only 12 students graduate within 150% of the expected time to graduation. The most severe drop is after the sophomore year.
- Reforms have yet to yield significant improvements in degrees granted – one of the principal concerns of the 1997 review.
- Despite statewide improvements in key indicators such as per capita income and education attainment, severe disparities among counties in Kentucky continue. Unfortunately, some of the improvements for the state as a whole have come from areas that are already better off rather than from narrowing the disparities among regions of the Commonwealth. The focus of the CPE on “target counties” and the dramatic improvements in adult education should begin to narrow these disparities.

The message from these results is clear: While Kentucky is making progress, it will take a sustained commitment over a 10- to 20-year period to raise the standard of living of *all* Kentucky to levels at or above the national average. The danger is that temporary setbacks or a failure to demonstrate short-term results will lead to discouragement and cynicism about reform. It took almost a decade for KERA to yield results on national measures such as the National Assessment of Education Progress. One can reasonably expect that it will take at least that long to see the results of some of the most important reforms just now being implemented within the framework of Kentucky postsecondary education reform.

Challenges

Despite the progress of the last five years, Kentucky faces a number of challenges to sustain reform and counter tendencies to drift back to the policies and practices of the past. The following is a summary of themes that emerged from NCHEMS' review.

Sustaining the focus on the future of Kentucky's population and economy – on the five questions

As emphasized earlier, Kentucky's reform stands out in the nation in its focus on the impact of postsecondary education on the future of the state's population and economy. Nevertheless, the tendency – already evident in the debates in Kentucky over the past year – will be for the focus to drift back to competition among the institutional interests. Throughout the interviews for this review, NCHEMS heard concerns that with the changes in state-level leadership Kentucky would slip back to "politics as usual." Their concerns are that the questions will be not about how postsecondary education contributes to better lives in the state or a region but about how the reforms affect a specific university or college. The challenge will be to counter this drift and to keep the emphasis on step-by-step measurable progress toward the long-term goal of raising the standard of living to a level at or above the national average by the year 2020. Such a focus is critical to the ability to sustain state funding for reform. To put it bluntly, it is unlikely that political leaders will support increasing funding for postsecondary reform if it is for an inwardly driven institutional agenda disconnected from the needs of the state. Strengthening the links with K-12 reform and sustaining the commitment to adult education as integral to postsecondary reform will be important strategies to keep the focus on the people of Kentucky, not on institutions.

Broadening and deepening engagement in and support for reform

Postsecondary reform is succeeding in Kentucky in no small measure because of Governor Patton's strong leadership and the leadership of the Governor's executive team. One can only hope that the next Governor will see postsecondary education reform as a top priority, but it is rare that a new Governor champions his or her predecessor's main issue. Many of those interviewed in the course of this review expressed concern about the lack of broad engagement in and ownership of reform among members of the General Assembly and the state's business and civic communities.

The Strategic Committee for Postsecondary Education (SCOPE), for example, was intended as a way to develop the knowledge, understanding and commitment of a core legislative leadership group to the basic goals of reform and to the budget and other legislative actions necessary to sustain reform. The impression gained from interviews, however, is that SCOPE has not been as effective as hoped in developing legislative ownership for the agenda as developed and presented by the Council on Postsecondary Education. Political divisions and personality conflicts may have hindered SCOPE's effectiveness, but most of those interviewed emphasized that SCOPE can work, provided that a more deliberate effort is made to listen to and engage the legislative leaders in the agenda. Without a core legislative group that is deeply committed to the goals of HB 1, the reform – including efforts to sustain funding – will fall victim to regional and institutional political interests and the demands of other major priorities (e.g., K-12 reform)

facing the General Assembly will take precedence. Gaining this legislative ownership – through SCOPE or other means – will be a central challenge for the CPE and the new CPE president.

Beyond the General Assembly, the coalition of business and civic leaders that played such an important role in the enactment of HB 1 seems to have faded in significance over the past five years. That the Prichard Committee commissioned this review and convened the meeting on October 15, 2002, is a positive sign of renewed interest and concern outside the postsecondary education community about the future of postsecondary education reform. The lesson from other states is that reform is difficult – if not impossible – to sustain through changes in political leadership unless there is a strong, independent voice of support from a state’s business and civic community. Again, the most effective way to gain business and civic support is *not* for postsecondary education, *per se*, but for the impact of postsecondary education on virtually all dimensions of Kentucky’s economy and quality of life, *including K-12 reform*, as emphasized by the “five questions.”

Engaging institutional leaders – both presidents and governing boards – in collective responsibility to sustain reform

Postsecondary education reform cannot be led and sustained only from Frankfort. Kentucky is an exceptionally diverse state – in fact, it is several “states” all wrapped up in one. Each of the Commonwealth’s higher education institutions, especially the comprehensive universities, the community and technical colleges, and the University of Louisville, is a visible symbol of opportunity and pride for the region where the institution is located. Ultimately, broad legislative support for reform will come only when legislators throughout the Commonwealth experience the impact on the opportunities, quality of life, and economies of their own regions. For this reason, the institutional governing boards and presidents can have a profound impact – either positive or negative – on the political support for reform.

In the history of state higher education coordination across the country, few state boards have succeeded without the complementary support of a core group of institutional leaders who recognized that ultimately the interests of individual institutions are best served by supporting a statewide agenda and effective statewide coordination. This does not mean that the interests of individual institutions have to be totally subordinated to or merged within a statewide one-size-fits-all strategy. On the contrary, the challenge of statewide coordination is to develop a statewide Strategic Agenda that provides the framework for highly differentiated institutional missions and responsiveness to the needs of the state’s different regions.

It is important for the presidents to be strong advocates for their institutions with their institutional constituencies, in their regions, with their colleagues (the other presidents), and with the state coordinating board. In the process leading to a major decision by the CPE (for example, on a budget recommendation), it is important that different perspectives about priorities be debated. However, once a final decision is made, it is critical to the reform process that the CPE and the presidents stand together in a coherent, coordinated strategy throughout the legislative process. There clearly is a difference of opinion among presidents in Kentucky about whether an institution that disagrees with the CPE’s decisions and recommendations should take its case directly to the state’s political leaders. Some institutional leaders continue to believe that, in the end, their obligations to their institutions transcend their commitment to the statewide agenda. They, therefore, believe that they have a right – if not an obligation – to “end run” the system. In

other states, the impact of “end-runs” is clear – they lead to short-term gains but significant long-term losses for the institution and the system as a whole.

“End-runs” are rarely controlled by exercise of a state board’s formal authority. In other states with coordinating boards similar to the Council on Postsecondary Education, these situations are usually handled in either of two ways. First, the institutional leaders assume responsibility themselves, functioning within a statewide council, to establish basic principles or norms of “good behavior” and to make clear to presidents who persist in “end-runs” that such behavior is totally unacceptable. Second, it is clearly understood that any additional state funding obtained by an institution by an “end-run” will be deducted from the coordinating board’s subsequent year’s state budget recommendations for that institution. In other words, there are consequences for behavior that undermines the interests of the system as a whole and impedes progress towards the Strategic Agenda.

What works, in contrast to the exercise of formal authority, is an informal collective responsibility among institutional leaders and between these leaders and the state board, for a common, coordinated agenda. Obviously, these conditions can only be met with open-two-way communication and a high level of trust. Building these conditions will be a major challenge for the CPE, the next CPE president, and the institutional leaders (individually and collectively).

Sustaining the link between financing policy and the Strategic Agenda

The most powerful lever available to the policy leaders of Kentucky to sustain the momentum of reform is state funding. It is critical to the future of reform – and to the future of the Commonwealth – that Kentucky continue funding step-by-step progress toward the goals for 2020.

NCHEMS believes that the basic structure of the budget as shaped by HB 1 and the subsequent agreements as reflected in the “points of Consensus among University Presidents, KCTCS President, and the Council President,” (January 8, 2001) is fundamentally sound. In broad terms, that structure includes these components:

1. A base budget, adjusted by:
 - Inflationary increases
 - Benchmark funding to ensure greater alignment of funding for Kentucky institutions compared to peer institutions in other states
2. Trust funds providing performance and incentive funding to be allocated by the Council on Postsecondary Education according to established criteria linked to the goals of postsecondary education reform and the Strategic Agenda
3. Special funding for special and meritorious institutional initiatives awarded competitively according to established criteria
4. An endowment match program – “Bucks-for-Brains”
5. A capital component

The Commonwealth of Kentucky, like most other states, faces a severe and most likely protracted period of budget constraints. *The most important message NCHEMS can convey from*

this review is that even in the direst fiscal circumstances, Kentucky must sustain state funding for BOTH components (1) and (2) listed above – that is, for both the base and performance and incentive funding (trust funds). A failure to invest consistently a small percentage of the total operating budget appropriation in trust/incentive funds to support change will doom the reform process. Without incentives and performance funding, the Council on Postsecondary Education will have virtually no effective policy levers to advance the Strategic Agenda except for the relatively weak tools of an appeal to public opinion and the use of limited regulatory authority. The division of state appropriations between these two components should be made as a policy decision every year to reflect the circumstances of both the state and the institutions. In the direst of circumstances (for example, if actual cuts are required), NCHEMS recommends that these cuts be made *proportionately* so that the relative balance between base and trust (incentive and performance) funding remains intact.

A final point about financing policy relates to student financial aid. Kentucky remains a state with a comparatively affordable higher education system because of both comparatively low public tuition levels and its commitment to funding student aid – primarily the need-based College Access Program and the Kentucky Educational Excellence Scholarship (KEES) program. NCHEMS supports the decision to delegate authority to set tuition to the institutional governing boards. However, given the fiscal constraints facing the state, the pressures to raise tuition will inevitably increase. Too often states and institutions make decisions about funding institutions, establishing tuition rates, and funding student aid separately with little conscious attention to the impact of one decision on another and the ultimate impact of these decisions on access and affordability. The Council on Postsecondary Education's budget recommendations reflect best practice in the nation by recognizing the interaction of these three decision areas. Sustaining, if not increasing, the commitment to student aid (especially the College Access Program) in a period of severe fiscal constraints is fundamental to maintaining affordability in Kentucky.

Strengthening strategic leadership and governance

NCHEMS believes that the current structure in Kentucky is fundamentally sound and consistent with best practice as well as with Kentucky's governmental structure and culture.

- The strength of the Kentucky system is its decentralized responsibility for governance balanced by strategic leadership and coordination.
- More centralized governance would likely shift the state-level agenda from a focus on a public agenda for the future of Kentucky to issues of institutional governance and management. It is also likely to draw away from the benefits of a highly differentiated, responsive system of comprehensive universities, community and technical colleges, and other institutions.

Nevertheless, to make this kind of system work, certain conditions are essential:

- Explicit, consistent authority and capacity for the policy/coordinating board (as emphasized above related to financing policy) to allocate a small percentage of the total state appropriation to reward performance and provide incentives to institutions to achieve the Strategic Agenda.

- Effective local governance focused both on effective governance of each institution *and* commitment to the statewide Strategic Agenda.
- Collective responsibility of governing boards and presidents to support reform.
- Clear understanding and support of the goals of reform by both the Executive Branch and the General Assembly.
- A coalition of the state's business and civic leaders that understands and supports the strategic goals, monitors progress toward these goals, and is willing to take stands to defend the reforms if short-term political moves threaten to undermine them.
- Executive leadership of the policy/coordinating board focused on the long-term goals of the Strategic Agenda and with the skills to "build a parade behind reform" among the General Assembly, the state's business and civic leaders, institutional leaders and the general public.

Because of the system's reliance on decentralized governance, the system's success depends fundamentally on the quality of institutional boards. Those interviewed in the course of this review complemented Kentucky's governing boards for the overall quality of their leadership. The full engagement of the boards in the sessions of the recent Institute for Effective Governance is one indicator of that leadership. Nevertheless, serious concerns were expressed about the exceptions to the overall pattern. Several people stressed the need to maintain the quality of board appointments and to strengthen the means for the Council on Postsecondary Education to hold boards accountable for both effective governance and support of the statewide Strategic Agenda. One alternative to consider is to assign responsibility to the CPE for nominating institutional governing board members and to provide for Senate confirmation of gubernatorial appointments. Such a change would give the CPE a direct role in ensuring that highly qualified individuals are nominated for board appointments, that nominees understand their role in supporting reform, and that, once appointed, board members understand the link between effective institutional governance and the success of the overall reform.

Clarifying role and mission of the comprehensive universities in postsecondary reform

In retrospect, one of the least developed elements of HB 1 related to the role and mission of the comprehensive (regional) universities. As emphasized above, each of these universities plays a central role in improving lives and strengthening the economy of its region. Each reflects the unique needs, culture and economy of its region. The diversity in mission among the institutions is a sharp contrast to the "one-size-fits-all" message conveyed by being lumped in a single category in HB 1. The name "regional" conveys a sense of "local and parochial," whereas the intent of HB 1 was that these institutions should be nationally competitive, contributing throughout the Commonwealth in areas of strength, but having a special mission to link with their regions. The comprehensive universities have, for the most part, responded aggressively to the vision and goals of HB 1. With the stimulus of the "Bucks-for-Brains" funding, and the incentive and performance funding (Action Agenda and Enrollment and Retention), most have made significant progress on relevant performance expectations set forth in the "five questions." They have dramatically increased private sources of support and increased their links with regional economic development.

How to reshape the role of the comprehensive universities in reform is beyond the scope of this review, but any change should underscore the differences among the institutions and the distinctive ways in which each contributes to its region and the Commonwealth as a whole.

Any fundamental change in mission, such as the addition of doctoral programs, would require formal approval of the CPE and amendments to state statutes (for example in the provisions of HB 1 related to “regional” universities). NCHEMS’ perspective is that the decision to authorize doctoral programs at the comprehensive universities should be made case-by-case based on a determination of a continuing demand and a thorough examination of alternatives to meet that demand. NCHEMS does not believe that it makes good policy sense for states to attempt to restrict institutional missions through broad-based prohibitions of doctoral programs in a particular sector in the manner attempted in the 1960s and 1970s. There may be a justification for one or more of Kentucky’s comprehensive universities to develop (either individually or preferably jointly) “applied” doctoral programs that serve the needs of their regions and the Commonwealth as a whole and that are not provided through either the University of Kentucky or the University of Louisville.

Such a change would require several levels of review and decision-making. First, the governing boards of the institutions should have a thorough understanding of the implications for the institution’s mission, program structure, faculty capabilities, asset structure, and long-term fiscal viability before pursuing such a change. The expansion of an institution’s mission to include doctoral programs can have profound, subtle and often unintended impact on the institution’s culture, faculty appointment, promotion and tenure policies, faculty teaching loads, institutional costs and other institutional characteristics. The most troubling negative impact can be on the institution’s commitment to undergraduate teaching – the core mission of these universities.

Second, the CPE, in collaboration with the universities, must consider the implications of a new doctoral program for state policy. The decision should be made primarily on a determination of the needs of the Commonwealth, not the aspirations of a specific institution. And third, the state must consider what commitment, if any, it should make to the financing of such a new initiative.

Financing policy is a far more effective tool than regulation to influence institutional mission. Other states have made a deliberate decision to allow institutions to develop new programs provided the institution can demonstrate that the program will be financed *without additional state subsidy and without diminished attention to critical state priorities*. These states hold the institutions accountable (through the use of incentive and performance funding) for performance on their core missions and the state’s priorities. For example, if the consequence of developing new doctoral programs is diminished attention to undergraduate enrollment, retention and completion, or the state’s priority to maintain affordable postsecondary education, the institution would feel the impact in the state funding process.

Increasing incentives for partnerships among institutions and with K-12

Despite the emphasis of HB 1 on a “seamless, integrated system of postsecondary education,” NCHEMS’ impression is that Kentucky’s system remains highly competitive with few incentives for collaboration among institutions. One point of evidence of lack of collaboration is the comparatively low rate of transfer from KCTCS to universities. Clearly, transfer agreements are not working as effectively as intended. Given the likely fiscal constraints facing the Commonwealth, regional and statewide solutions will be essential to accommodate student

demand and reach the goal of 80,000 more students in the system. Local P-16 councils can play an important role in promoting collaboration with K-12. The key to making these changes work will be to include incentives for collaboration within financing policy – especially in the incentive and performance elements of the trust funds. The CPE’s budget proposals for 2002-04 included funding for such incentives but this was eliminated in the appropriations process.

Recognizing the role of independent institutions in postsecondary reform

HB 1 focuses primarily on the public institutions and makes only limited reference to involvement and utilization of the independent sector. Reform implementation appears to have proceeded with only limited consideration of the impact on the independent institutions. The Commonwealth’s nineteen independent institutions, educating over 23,000 students annually, represent a valuable resource to assist in meeting goals of reform. In the next phase, it will be important to engage *all* the state’s postsecondary resources, not solely those of the public sector, in reform. This can be done by including the independent sector in the discussion/development of CPE and SCOPE postsecondary education policy, encouraging the state to fully fund student financial aid programs (especially the Kentucky Tuition Grant program which is a program reserved for independent college students), encouraging the state to utilize independent colleges more effectively in achieving reform objectives, and evaluating implications of policies on independent colleges before they are implemented. Increasing the engagement of independent institutions in reform will not only make more effective use of their resources but broaden the coalition necessary to sustain reform over the next decade and beyond.

Conclusion

Kentucky has embarked on one of the foremost examples of postsecondary education reform in the country. There is concern in Kentucky – as well as from many of those around the country who have been inspired by Kentucky’s example and leadership – that the events of the last legislative session, the departure of the CPE president, the ending of Governor Patton’s eight years of strong leadership, and the pessimistic fiscal outlook will signal an end to the momentum that had been established.

However, the outlook is much brighter than we expected to find. Real progress has been made. Support for the goals of reform remains strong – even among some who were considered to be skeptics or opponents. But reform is fragile. It is at a critical transition point – not only a transition in leadership but a transition from a period of dramatic change and the euphoria of early successes to a period of steady, hard work to solve seemingly intractable problems that have challenged generations of Kentucky leaders. The extraordinary impact of the last five years has convinced many who were skeptics in the past that they can make a difference in improving the lives of Kentuckians and that Kentucky *is* a leading state in the nation on education reform.

Considerable work remains to ensure that progress continues. Top priorities include sustaining the focus on the Strategic Agenda and strengthening and deepening the commitment to reform (especially in the General Assembly, with business and civic leaders, the public university leaders and the independent sector), and hiring a new CPE president who is committed to the vision and capable of working with the political leaders and the presidents to embed elements of the vision within every dimension of postsecondary education in the Commonwealth.

There are virtually no other reforms that will have as profound an impact on lives in Kentucky as this reform. It affects every dimension of the state's quality of life and economy – early childhood education, K-12 reform, health, civic participation, and the state's competitiveness in the New Economy. It is too important to future generations to abandon because of short-term setbacks or changes in leadership. Our assessment is that Kentucky's leaders recognize this challenge and will not allow the reform to fail.